



CANADA

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## A NEW YEAR'S LOOK AT CANADA'S FINANCIAL STATE

*The following is a partial text of a speech by Mr. Walter L. Gordon, the Minister of Finance, to the Canadian Club of Toronto on January 4:*

...If we cast our minds back to the economic situation prevailing in the spring of 1963, you will recall there was some real cause for concern about the prospects. The recession of 1960 was more than two years behind us and, while production and incomes were still rising, the economy was not expanding at a rate commensurate with its real potentialities.

Business investment in new plant and equipment seemed to be levelling out; and, despite two years of economic expansion, unemployment still remained much too high. It was clear that something more should be done to stimulate the economy to the point where it would create many more new job opportunities to match the larger number of young people entering the labour force. Furthermore, it was glaringly apparent that certain regions of Canada, particularly the Atlantic Provinces and Eastern Quebec, were not participating adequately in the general expansion of our country; the high levels of unemployment in these areas could not be tolerated.

There were other problems, including the need to take steps that, over the long run, would reverse the trend towards an excessive dependence on foreign capital. But at the top of the list of immediate objectives was the need to stimulate a higher rate of economic growth. To achieve this, certain other objectives had to be sought. Among these I would mention: the maintenance of confidence in

our dollar, and in the soundness of the economic and financial climate generally; the achievement of a better balance in our international trade and payments; the encouragement of new capital investment in industry generally, especially in regions of slow economic growth; a further increase in the training and education of young men and women to fit them for the fast-changing requirements of the economy; the reduction of seasonal fluctuations in employment by encouraging more work in the winter season.

These goals called for expansionist economic policies. At the same time, it was important to move toward a balancing of the federal budget as conditions of high employment were achieved. Some improvements in the tax system had to be made to ensure that revenues would be adequate to meet requirements in periods of prosperity. To bring about the economic expansion and growth, it was necessary to make careful use of lending and expenditure powers.

### INDUSTRIAL INCENTIVE PROGRAMME

It followed that the major thrust of an expansive fiscal policy had to be carried by measures that would provide incentives for industrial expansion and by the use of new lending programmes and the liberalization of existing ones. The expansionist monetary and credit policies which the Bank of Canada has applied have made an important contribution towards the achievement of these purposes.

Considerable reliance has been placed on measures to encourage and stimulate business invest-

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